

REMARKS

The claims are amended for the sole reason of better and more thoroughly pointing and distinctly claiming the present invention. No limitation of scope is intended by the amendment or addition of any claim.

These amendments introduce no new matter. Many amendments are merely to provide improved grammar or antecedent basis. Support for substantive amendments may be found throughout the specification, but principally at, *e.g.*, page 2, line 18 to page 3, line 5; page 3, lines 11-14 & 25-28; Page 6, line 9-13 & 20-21; and page 7, lines 3-12. Upon entry of this amendment, claims 1-29 will be pending.

Further, the Applicants would like to make the Examiner aware of their related copending applications: 10/071,053 filed February 8, 2002 and titled "SYSTEMS AND METHODS FOR ADMINISTERING RETURN SWEEP ACCOUNTS"; 10/305,439 filed November 26, 2002 and titled "MONEY FUND BANKING SYSTEM"; 10/382, 946 filed March 6, 2003 and titled "SYSTEMS AND METHODS FOR PROVIDING ENHANCED ACCOUNT MANAGEMENT SERVICES FOR MULTIPLE BANKS"; and 10/411,650 filed April 11, 2003 and titled "SYSTEMS AND METHODS FOR MONEY FUND BANKING WITH FLEXIBLE INTEREST ALLOCATION".

In the Office Action mailed April 23, 2003, the Examiner first objected to certain claim informalities and contended that claims 6-8 are indefinite. Regarding the claim informalities, required corrections have been made so that first references to acronyms include their full names. Further, claims 6-8 have been corrected to make clear that apparatus are recited. Application serial no. 09/176,340, filed 21 October 1998 and included by reference in the present application, describes exemplary computer system apparatus.

Next, the Examiner rejected all claims under 35 U.S.C. § 103(a) as being unpatentable over US5864685 to Hagan (hereinafter, "the '685 patent") in view of US5291398 also to Hagan (hereinafter, "the '398 patent") (collectively, "the Hagan patents" or "Hagan"). The Applicants respectfully traverse this rejection because these references, either alone or in combination, do not, *inter alia*, teach or suggest all of the elements of the pending claims and cannot therefore establish a *prima facie* obviousness.

The Examiner begins by relying on the Abstract of the '685 patent to support the contention that the '685 patent "discloses a method for managing a plurality of demand

accounts for multiple clients". This is incorrect. The '685 Abstract and indeed the entire '685 patent discloses managing only annuity contracts, life insurance contracts, or irrevocable trusts. The '398 patent is similar, disclosing only annuity contracts or insurance contracts. Neither patent discloses or suggests managing the liquid accounts, such as demand deposit accounts, that are managed by the present invention.

Annuity contracts, insurance contracts, and the like are widely known to be different from liquid, cash management accounts, such as demand accounts. Among differences relevant to this invention, the former contracts specify predetermined and generally periodic payments, from the contract owner (client) to the contract issuer and vice versa, that are entirely fixed at the time such contracts are purchased.¹ Consequently, systems and methods for managing annuity and insurance contracts, such as are disclosed by the Hagan patents, need not provide for daily client-initiated transactions. But the latter cash-management-type accounts permit deposit and withdrawal transactions in essentially unlimited number on the initiative and at the discretion of the account owner (client).² Thus, systems and methods for managing these liquid accounts, such as those disclosed by the present invention, must provide for such daily client-initiated deposit and withdrawal transactions. Specifically, the present invention must manage client-initiated account withdrawals made at any time. To the contrary, the nature of Hagan's annuity and insurance contracts is to not permit client-initiated

¹ Owners of annuity or insurance contracts are obligated to predetermined lump-sum or periodic payments to the contract issuer, while the contract issuer in turn is obligated to predetermined lump-sum or periodic payments to the contract owner. For example, annuities are purchased with a single lump-sum payment and pay back in regular installments beginning at a determined date in the future.

ANNUITY form of contract sold by life insurance companies that guarantees a fixed or variable payment to the annuitant at some future time, usually retirement.

Downes et al., 2003, *Dictionary of Finance and Investment Terms*, Barron's Educational Series, Inc., Hauppauge, N.Y., p. 30 (hereinafter, the Finance Dictionary). Insurance is well known to usually require periodic premium payments and pay back a single lump sum upon occurrence of a specified but unpredictable event, for example, a casualty loss or the death of the owner. See, for example, the Finance Dictionary, p. 356.

² For example, demand deposit accounts are highly liquid, being considered a form of money.

DEMAND DEPOSIT account balance which, without prior notice to the bank, can be drawn on by check, cash withdrawal from an automatic teller machine, or by transfer to other accounts . . .

The Financial Dictionary, p 170. Thus, deposit and withdrawal transactions from demand accounts are entirely at the owner's discretion and may be made whenever desired and as frequently as desired.

"withdrawals", payments are made by the client only as specified in the agreed-on contract, while the contract-specified payments to the client are made at a future date.

Because of this basic difference in intent, the Hagan patents do not teach or suggest key steps recited by the pending claims. First, it is, of course, the case that the Hagan patents lack any teaching of the step recited in all the independent claims of receiving and administering client deposit and withdrawal transactions, which are, according to the present invention, initiated at client discretion at any time. Indeed, the Examiner fails to provide any citation for the presence of this key step in the Hagan patents.³

Nevertheless, this lack is illustrated in more detail. The '685 patent actually makes no provision for managing any client-initiated transactions at all. All annuity contract management is performed by the "annuity contract system", reference 110 in Figs. 2 and 5, which provides to the disclosed system the contract-determined payment data.⁴ There is not interface with the annuity contract owner. For trusts, the disclosed system on its own initiative and according to the trust terms computes amounts to be paid to trust beneficiaries.⁵ No insurance processing details are provided. The '398 patent teaches only processing of contract-determined payments from annuity contract owners. At Fig. 1A, reference 24, new investment information is received which "could be initial investments by the customer to fund an annuity or could be periodic payments by the customer to fund the annuity".⁶ At Fig. 1A, reference 70, "the system pays money to beneficiaries under annuitized contracts or redeems contracts that have been cancelled".⁷ Here, also, the client may initiate no transactions. Summarizing, the Hagan patents process only payments as predetermined by contract or trust agreement; "client"-initiated are never suggested.

Further, the Hagan patents also do not teach or suggest determining any sort of net transaction, another key step recited in all the pending claims. Although the Examiner contends that such teaching may be found in the "'685 patent, col. 2, ll. 21+", careful reading of this citation does not support such a conclusion. These lines only describe tax-deferred

³ It is submitted that this failure alone is enough to vitiate a *prima facie* case of obviousness.

⁴ See, also, the '685 patent, col. 6, lines 35-48; and col. 8, lines 6-9.

⁵ See, the '685 patent, col. 9, lines 32-36; and Fig. 6, reference 607.

⁶ The '398 patent, col. 5, lines 56-59.

⁷ The '398 patent, col. 9, lines 60-63.

annuities, their functioning, treatment by the FDIC, and risk; they have nothing to do with and do not suggest "determining the net transaction of the sum of the [client] demand account deposits and withdrawals on a regular basis" as is recited in the independent claims. Logically, because the Hagan patents do not provide for client-initiated transactions of any sort, and especially never suggest client-initiated withdrawal transactions, they cannot teach or suggest any "net transaction" that is determined as the difference of client deposit and withdrawal transactions.

Indeed the careful reader will search in vain for even any suggestion of "net transaction" anywhere in the Hagan patents. To emphasize how different the Hagan processes are from those recited in the pending claims – namely, the determination of "net transactions" which are then used to move funds among the banking institutions – the relevant portions of both patents are summarized. The '685 patent teaches at best an approximate process for allocating subscriber funds among certificates of deposits (CDs) issued by the depository institutions. First, it calculates for each subscriber its percentage ownership of the all the investments of all the subscribers in all the depository institutions.⁸ Next, it finds the total investments in each depository institution (corrected for matured and redeemed CDs), and multiplies that total investment by each subscribers percentage total ownership. This product provides an estimate of the total amounts of each subscribers funds in each depository institution (assuming all subscriber funds have been equally distributed among all depositories).⁹ Certificates of deposit (CDs) purchases are then managed so that none of these subscriber total amounts per depository exceed the insurance threshold.

Unlike the '685 patent, the '398 patent does keep track of the amount of each annuity beneficiary's funds that have been invested in each banking institution.¹⁰ If this amount exceeds an insured limit, then that banking institution is marked "non-available" for that beneficiary.¹¹ A "non-available" may again become "available" for a beneficiary only if an entire CD has been redeemed, either at maturity (or earlier subject to early-withdrawal penalties). CDs are only purchased with a beneficiary's money from institution that are "available" to that beneficiary.

⁸ The '685 patent, col. 8, lines 60-65.

⁹ The '685 patent, col. 9, lines 47-59.

¹⁰ See, for example, the '398 patent, Tables 3 and 4.

¹¹ The '398 patent, col. 6, lines 60-65; see also col. 5, lines 47-53.

Therefore, Hagan's processes are very different from and do not suggest determining "net transactions" and using them to manage funds among banking institutions. The '685 patent's percentage total ownership has nothing to do with periodically determined "net transactions", neither does the '398 patent's "available"-"non-available" classifications.

Closely associated with Hagan's failure to suggest any "net transaction" is a further failure to teach or suggest the deposit or withdrawal of funds from the banking institutions according to determined "net transactions". This is a further key step recited in all the pending claims. This failure is again quite logical because, since neither Hagan patent teaches "net transactions", neither Hagan patent can suggest making deposits or withdrawals according to "net transactions". Again the Examiner contends that support for a contrary conclusion may be found in the "'685 patent, col. 2, ll. 21+", and as already explained, these lines discuss only "tax-deferred annuities" generally and have nothing to do with making deposits or withdrawals of "net transactions" from client accounts and banking institutions.

More specifically, it has already been pointed out that Hagan simply fails to teach or suggest incremental or partial withdrawals from his managed contracts. However, for the liquid cash-management-type accounts managed by the present invention, client-initiated withdrawal transactions will often exceed client-initiated deposit transactions frequently leading to negative "net transactions". Therefore there will be many days on which the systems and methods of the present invention make incremental or partial withdrawals from some managed accounts and some banking institutions.

In fact, Hagan cannot make net, incremental or partial withdrawals or deposits from managed client contracts or trusts and their associated banking (or depository) institutions. Both patents teach that client funds should be invested whenever possible in bank CDs (or deposit contracts). As is well known and also taught by the Hagan patents, CDs have limited liquidity: after a CD has been purchased for a certain face amount, it can only be entirely redeemed for its entire face amount.¹² Therefore, explicit incremental or partial withdrawals from CDs are prohibited. Additionally, implicit incremental or partial

¹² This limitation of CDs is reflected throughout the Hagan patents. Here only a few examples are referenced. In the '685 patent, see, for example, col. 8, lines 25-37 and col. 9, lines 54-59, where deposit contracts (CDs) are either purchased or redeemed in their entirety. In the '3985 patent, see, for example, col. 9, lines 40-45, where deposit contracts (CDs) are purchased in their entirety

withdrawals from CDs cannot be made either, because the '398 patent teaches that client ownership interests in CDs cannot be changed after purchase.¹³ Finally, because longer term CDs generally have higher returns while early redemption of any CD prior to maturity usually results in a penalty, both Hagan patents attempt to purchase CDs of the longest available term and to redeem CDs only at maturity. Consequently, the Hagan systems and methods are actually incapable of performing the step, recited in all the claims, of making partial, incremental withdrawals or deposits of client funds at any time (much less according to any never-determined "net transactions").

This latter failure may be traced to the key difference between the goals of the Hagan patents and of the present invention. Hagan manages annuity contracts, insurance contracts, and trusts which have very little, if any, liquidity. These contracts are not money. Accordingly, placement of client funds in illiquid investments is not a problem; rather, it is advantageous where such illiquid investments both are insured and provide higher returns. In contrast, the systems and methods of the present invention manage client accounts for both liquidity and security, by permitting, *inter alia*, unlimited client withdrawals while retaining maximum FDIC insurance. They must, therefore, be prepared to administer daily client-initiated deposit and withdrawal transactions by making daily any necessary net incremental or partial deposits and withdrawals from the client accounts and from the banking institutions in which client funds are held.

In summary, it is respectfully submitted that the Examiner has not established a *prima facie* case of obviousness because the cited portions of the '685 patent simply do not teach or suggest key elements of the claimed invention. Further, citation to the '398 patent cannot overcome this deficiency. More importantly, it is submitted that the Hagan patents cannot make a *prima facie* case because they cannot be fairly interpreted or construed to suggest the claimed invention. Accordingly, withdrawal of the instant rejections is requested.

CONCLUSION

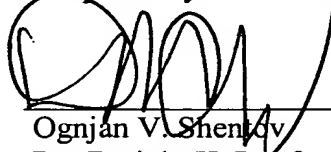
The Applicants respectfully request entry of the foregoing amendments and remarks into the file of the above-captioned application. The Applicants believe that each ground for rejection or objection has been successfully overcome or obviated and that all the pending

¹³ See, for example, the 398 patent, col. 7, line 18 to col. 9, line 4 explaining Tables 3 and 4.

claims are in condition for allowance. They earnestly request reconsideration and withdrawal of the Examiner's rejection and allowance of the application.

If any issues remain, the Examiner is invited to telephone the undersigned to discuss the same and to arrange for prompt and efficient handling of the above-captioned application.

Respectfully submitted,



Date July 23, 2003

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